

The Nebraska Greenbelt Advisory Committee

A Report to the Legislature and Property Tax Administrator

Submitted: November 1, 2008

Prepared by:

John Moore, Lexington, county assessor, committee chairman

Committee members:

Dr. Bruce Johnson, Bennet, professor of agricultural economics

Al Svajgr, Cozad, active farmer

Ken Stephens, Valentine, licensed appraiser

Richard Pierce, Miller, county official

Paul Chamberlain, active rancher

PREFACE

Mission Statement
Nebraska Greenbelt Advisory Committee:

To monitor and evaluate the development and execution of greenbelt provisions across Nebraska's counties, and offer advice for reasonable policy concerning the differentiation of agricultural use valuation relative to other uses.

Under the authority granted to it through the Nebraska Legislature the Nebraska Greenbelt Advisory Committee met in 2008 to continue discussion and offer rationale that will assist in the use of special valuation (greenbelt) by county assessors throughout Nebraska.

The committee is charged with developing recommendations for both the Legislature and Property Tax Administrator and as a result considered the following during its discussions:

- ❑ Not limiting the committee's focus merely to special valuation but making it part of an agricultural land advisory board, or making it part of a larger state task force on agricultural land use;
- ❑ Develop an alternative method for establishing valuation as it pertains to agricultural or horticultural uses;
- ❑ Study closely what fiscal impact a change in a new method for valuation may have on local government.

The following report is a compilation of discussion held at the Midtown Holiday Inn in Grand Island, Nebraska, August 25, 2008.

The make-up of the committee is such that a variety of perspectives were brought to the table for discussion. Advice and opinions were also sought and welcomed from Property Tax Administrator, Ruth Sorensen. Assistance was greatly appreciated as well from the Nebraska Department of Revenue Property Assessment Division staff, particularly Laz Flores who is the Committee Aide.

Summary

The business considered before the Greenbelt Advisory Committee (GBAC) in 2008 focused on a review of actions implemented as a result of advice offered the prior two years, and what the GBAC's role continues to be in the area of special valuation of agricultural and horticultural land issues as it pertains to tax policy in general.

It has become apparent that this committee's usefulness as a "greenbelt advisory" body has evolved into a more generalized need and should not be limited to special valuation issues alone. Discussion during the meeting made it clear that special valuation is only part of larger circle of land use and tax policy questions.

To this end it is suggested that the committee no longer be called the Greenbelt Advisory Committee but become part of a State Agricultural Land Advisory Committee, or become part of a task force that brings together various interests to discuss the impact of land use and how that influences tax policy.

Certainly the organizational structure of the GBAC since, its inception, engaged individuals representing many perspectives (notably professionals in local and state government, the private sector, and higher education), and this provides impetus for development of a larger "task force" if that would be the desire of the Legislature.

To this end the GBAC reiterates its support of a proposal developed as LB 1039 during the 2008 legislative session. It is our hope that ideas considered during that process may continue to provide motivation for deeper discussion focused on research of methodologies for valuing agricultural land.

Part of this ongoing consideration, the committee believes, needs to involve Legislative Resolution 328 sponsored by Sen. Russ Karpisek in connection with LB 1039. The resolution deals with what has become the heart of most discussions held by the GBAC members since its origin several years ago: a valuation process that considers a method other than strictly the market approach.

It was noted in the discussion at the 2008 annual meeting of the GBAC, the methodologies utilized by counties in Nebraska tend to vary remarkably. Those on the eastern side of the state appear to look much more closely at influences not directly connected to agricultural use as a compelling reason for establishing value, especially residential and commercial development occurring on large-acre rural parcels.

In the mostly rural settings of the state, particularly those in western Nebraska localities outside of a “metro-like” environment, the market pressures on agricultural use may also be shaped by activities other than residential or commercial development. However, the consequence of these forces is difficult to compute into *tax valuation*, as opposed to ideas of “value” as envisioned by a buyer. Sales may be hooked to ground that is basically recreational in character. Motivation therefore becomes more akin to someone simply wanting large green spaces, and less applicable to a tangible item such as a home or a retail building. Agricultural or horticultural use is more or less secondary in driving the market.

The GBAC is particularly supportive of LR328 because it incorporates a research report completed by William Lock, a research analyst for the Revenue Committee. Lock’s report reviews methodologies of valuing agricultural land in surrounding states. This would be a significant step in trying to understand what methodology best fits Nebraska.

It is a question larger than “special valuation” and would best be studied with the help of a task force. Barring that eventuality, the GBAC offers its cooperation in working with Property Tax Administrator Ruth Sorensen and her staff to look at agricultural valuation methodology used in surrounding states. Ultimately, this study may show if a different method of valuing agricultural and horticultural land improves on the current heavy use of the market approach.

The committee offers itself as the means for the development of a larger task force orchestrated under its guidance and that of the Property Tax Administrator. This will allow a diverse group of people from across the state that have experience and interest in agricultural taxation issues to participate in the process. Among those people would be assessors, appraisers, and employees of the Measurement and Tax Policy staff of the Property Tax Division, besides others.

The GBAC agrees to take the lead in suggesting who would decide, plan, and organize the task force. Also, the committee could decide when this starts, how often it would meet and other pertinent questions.

The outcome of the task force’s work might lead to legislation in the future, or it might simply point out that the market approach is the most reasonable method for establishing valuation.

This study and development of a task force presupposes that the primary underlying issue involves what impact any change might have on

the tax base for those governmental subdivisions that rely heavily on property tax revenue.

Respectfully submitted on behalf of the committee,

John Phillip Moore
Assessor representative and chairman

Appendix

Minutes of Meeting

Materials listed here, are on file with the Property Assessment Division and available for inspection upon request at those offices in Lincoln, NE.